

**SKAMANIA COUNTY, WASHINGTON**  
**January 1, 1993 Through December 31, 1993**

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**Schedule Of Findings**

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1. Public Funds Were Misappropriated And Accounting Records Were Manipulated To Conceal The Theft

Our audit of the Skamania County Swimming Pool revealed a misappropriation of at least \$5,737 in public funds during the period January 1, 1991, through July 22, 1994. Accounting records were falsified in an attempt to conceal the losses. No federal funds were involved in this case.

The misappropriation of these funds occurred as described below:

- a. Daily Tally Sheets which recorded the cash receipts for the day were manipulated to equal the amount of money being deposited. Not all receipts written for fees were reflected in the moneys deposited. The difference represents a loss of \$3,284 for the period January 1, 1991, through July 22, 1994.
- b. Swimming passes were sold without a corresponding receipt being prepared. The revenues were not recorded on the Daily Tally Sheets, and moneys were not deposited with the Skamania County Treasurer. The amount of loss from this method was \$2,223 for the period November 1, 1991, through July 22, 1994.
- c. The swimming pool was rented on two occasions without moneys being receipted or deposited with the county treasurer. These rentals represent a misappropriation of \$190.
- d. Swimming lessons were purchased without the moneys being receipted or subsequently deposited with the county treasurer. These lessons represent a misappropriation of \$40.

In addition to the above methods, daily fees were not being properly recorded and subsequently deposited. Records for daily swims were frequently erased and changed. The daily fees for swimmers did not consistently correlate to the daily attendance documents that were prepared. No dollar amount was calculated for this type of misappropriation; therefore, moneys taken under this method are not included in the totals above.

RCW 42.20.070 states:

Every public officer, and every other person receiving money on behalf of or for or on account of the people of the state or of any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town, or any school, diking, drainage, or irrigation district, who:

- (1) Shall appropriate to his or her own use or the use of any

person not entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise; or

(2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her; or

(3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account; or

(4) Shall willfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage, or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed upon him or her by law to pay over and account for the same, shall be punished by imprisonment in a state correctional facility for not more than fifteen years.

The following internal control weaknesses allowed this misappropriation to occur and not be detected in a timely manner.

- a. There was poor segregation of duties. The money and the source documents were always turned over to the pool manager to reconcile and deposit. This inappropriately allowed her access to both the cash and the cash accountability records, without compensating internal controls.
- b. Passes were not prenumbered. Therefore, the number of passes issued in a given period were not accounted for by the swimming pool manager.
- c. Deposits were untimely and sporadic. Cash accumulated in the pool manager's locker for up to 17 days before being deposited by the pool manager. After the parks and recreation director requested daily deposits be made, moneys were not held as long, but were still not remitted daily.
- d. Reconciliations of receipts to deposits were not performed by the pool manager. Daily receipts should have been compared to the recorded transactions to determine if all moneys collected were being recorded and deposited properly. Other sources of information such as rental, swimming, and attendance forms were also never compared to deposits or revenues. The misappropriation could have been readily detected by review of the available source documents at the time of deposit. This review was a stated internal control policy put in place by the parks and recreation director and acknowledged by the pool manager. Unfortunately, the process was never implemented by the pool manager.

After this loss was reported to management, the following internal controls were put into place:

- a. A cash register was purchased to receipt all transactions.
- b. The pool manager has limited or no access to cash or cash receipting functions. She now performs a daily reconciliation of receipts to bank deposit information.
- c. Deposits are now made on a daily basis by persons responsible for the cash

receipting function.

- d. All passes are prenumbered and color-coded by pass type.
- e. Improved procedures have been established for the following:
  - (1) Handling of pop and candy machine moneys
  - (2) Inventory for merchandise
  - (3) Cash over/short documentation
  - (4) Refunds
  - (5) Duplicate receipts
  - (6) Voided receipts
- f. A handbook has been developed outlining all policies and procedures at the swimming pool. Staff has received training on the new policies and procedures.

We recommend the following:

Skamania County seek recovery of the misappropriated \$5,737 and related audit/investigation costs from its insurance bonding company.

Bond coverage for county employees is as follows:

McCoy-Holliston Insurance  
The Fidelity and Deposit Companies  
Crime Policy  
Policy No. 055 35 199-1  
\$25,000, with \$500 deductible  
April 1990, until cancelled

The Washington State Office of the Attorney General and the Skamania County Prosecuting Attorney will review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement in this case must be approved in writing by the Attorney General and the State Auditor as directed by RCW 43.09.260.

The county monitor its accounting controls over cash receipting and depositing, review controls in all departments, and implement effective internal controls designed to ensure the protection of public assets.

2. The Skamania County Counseling Center (Center) Should Improve Its Receipting, Depositing, Billing, And Accounts Receivable Procedures

During our audit of the center, we found the following significant internal control weaknesses:

- Accounting Functions Not Appropriately Supervised - The center's director has placed a low priority on fiscal matters. As a result, various fiscal functions remained unsupervised and produced untimely and incomplete records. Proper supervision and prioritizing of fiscal matters is necessary to ensure timely and complete records.
- Poor Segregation Of Fiscal Duties - The financial/information manager is responsible for designing, programming, and implementing a computerized billing and accounts receivable system for the center. This creates a poor segregation of duties because the same individual is also responsible for using the system. Segregation of these duties is critical in preventing potential abuse.
- Untimely Deposits - Management of the center did not require frequent deposits. Therefore, funds were consistently deposited one to two months after being received. Timely deposits will help to minimize the risk of potential fraud or theft.
- Decentralized And Ineffective Billing And Receivable Systems - The center has no centralized billing and receivable system in place. Billings are processed through a variety of systems. Account balances are difficult and, in some cases, impossible to determine. Total accounts receivable balances are not available for any of the billing systems. A centralized billing system would increase internal controls and minimize the risk of lost revenues to the county.
- Accounts Receivable Control Not Effective - The center does not use control accounts to ensure billings and receivables are accurate and complete. As a result, the center cannot be assured that all accounts have been billed and credited properly. Control accounts are imperative to ensure that billings, credits, and collections are complete and accurate.
- Accounts Receivable Collection Effort Is Not Adequate - The center has no established collection procedures in place. If an account is not covered by financial assistance or insurance, the center does not bill the client. In effect, the center writes off all private pay accounts. Also, because the center does not have a system in place for reviewing outstanding balances, errors or misbillings are not detected. This results in inappropriately writing off accounts which may actually be collectable. All bad debt accounts should be reviewed and approved by the county commissioners. When coupled with the weaknesses cited above, the risk of billing and receipting fraud increases substantially.

State law requires the district to properly account for financial activity in RCW 43.09.200 which states in part:

The state auditor . . . shall formulate, prescribe, and install a system of accounting and reporting, which shall be uniform for every public institution, and every public office, and every public account of the same class.

The system shall exhibit true accounts and detailed statements of funds

collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

Because of the inadequate controls, we were unable to verify that all transactions were properly handled. Collectively, these conditions indicate a significant and pervasive control problem.

We recommend that county officials take action to correct the above weaknesses and strengthen internal controls.